

Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries



West Central Michigan

Lake, Mason, Mecosta, Newaygo and Osceola Counties

**A Regional Profile
Prepared by:**

**Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives**

Introduction

Information is a key to the creation of a 21st century workforce. Developing a successful regional strategy requires a clear understanding of the scope of the regional economy, as well as the ability to identify key industries or clusters of industries with real significance to the regional economy.

The Bureau of Labor Market Information & Strategic Initiatives within the Department of Labor & Economic Growth produces a substantial volume of data on local economies and regional labor markets. This profile provides information on current labor market economic indicators and key industries for the local region.

Current Labor Market Indicators and Industry Job Trends

Page 4 of the profile presents information on **Current Labor Market Indicators**. This table compares regional performance with state and national trends and includes the current jobless rate, per capita income, and the average weekly wage for private sector industries. The rate of change is calculated over the past two years for population and labor force as well as the growth rate for private industry jobs. Also provided in the table is the expected ten-year forecast growth rate for jobs in all industries. These indicators provide some of the necessary information to evaluate the overall performance of the regional economy as it compares to the state and national economy.

Industry Job Trends on Page 5 is a chart containing the two-year growth rate in employment for several major industry sectors. This allows a comparison of the pace of local job gains with Michigan, and quickly identifies local industry sectors with recent job gains or losses. **Industry Job Distribution**, a chart on Page 6, presents the percent distribution of jobs in each of the major industry sectors. This is important because the share of jobs by industry is a key determinant of overall income in a region. Large shares of jobs in high wage sectors will produce an above average income stream for a region. Additionally, these shares help demonstrate the diversity of a regional economy. The chart gives a quick identification of local industries with job shares above or below statewide averages.

Profile of Regional Industries

Various regional and national indicators were used to sort the local area's detailed industries into five distinct categories: growth, declining, core, developing, and competitive-advantage industries. A description of each element follows.

The table of **Growth Industries** presents regional industries with faster than average employment gains since 2004. The **Declining Industries** table lists regional industries with declining employment.

Core Industries identify industries with a higher share of jobs in the local economy than the same industry produces in the national economy. If a region has a greater than average share of jobs in a given industry, that industry may be a core sector because it is generating jobs above and beyond what is typically needed to support local needs. This makes a core industry important because it is often a base industry that brings income from outside the region, thus generating additional local jobs throughout other sectors. A core industry can also form the basis for a regional industry cluster, as suppliers and other

support service firms locate in the region because of its presence. One should note that a core industry does not necessarily record job growth. Although employment growth is an important variable to look at, regional strategies can be built around an industry of critical local importance, even if recent job trends have not been positive.

Developing Industries are defined as industries whose regional share of jobs is advancing faster than the average for that industry nationally. In other words, these industries locally are outpacing the nation in terms of job growth. A developing industry may represent an emerging sector with potential steady gains in regional importance.

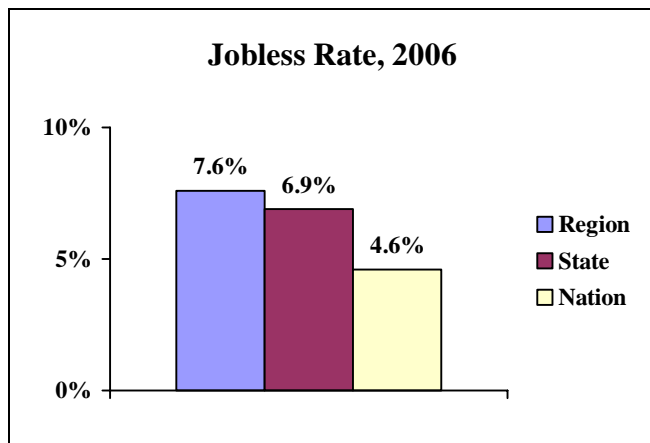
Competitive-Advantage Industries are especially attractive because they rank high in several important variables beneficial to the regional economy and its workforce. They have a high combined rank in wage, employment size, employment growth and competitive employment performance. The importance of competitive-advantage industries is clear; they represent a combination of good economic indicators; are likely to have a local employment performance above what would be expected from national trends, supply some jobs with positive wages, provide a reasonably high number of jobs locally, and may have a good growth trend.

For further information on the West Central Michigan Region, please contact:

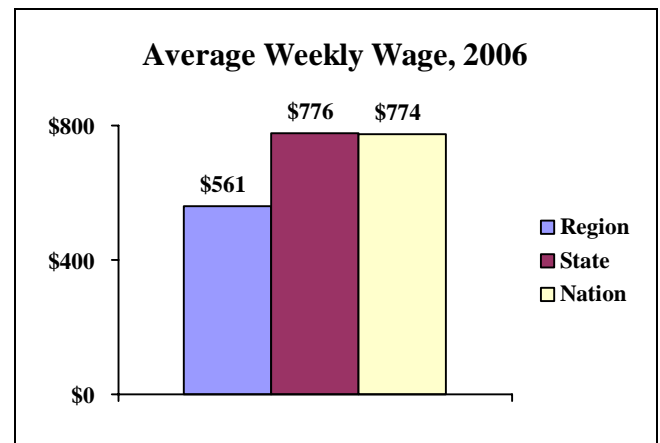
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CURRENT LABOR MARKET INDICATORS

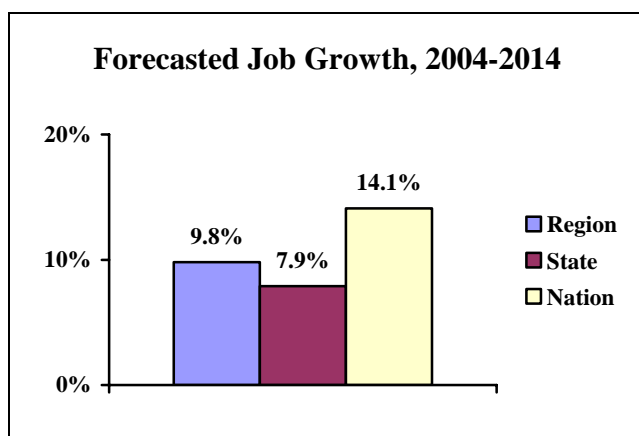
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	+0.1%	+1.0%	-0.9%	7.6%	\$561	\$22,391	+9.8%
State	0.0%	+0.6%	-1.2%	6.9%	\$776	\$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	\$774	\$33,050	+14.1%



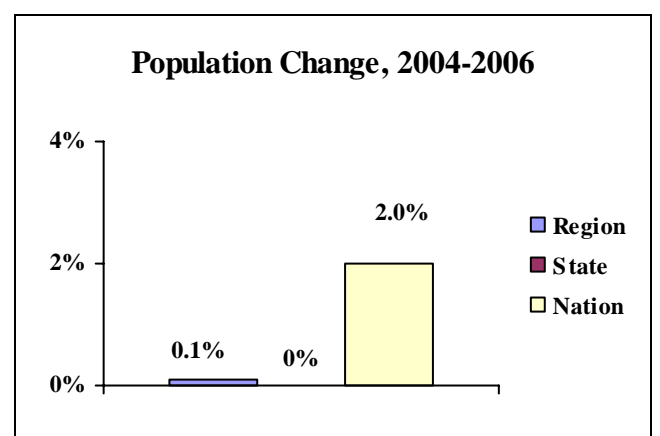
The region's jobless rate was higher than the state and national averages. Seasonal employment trends and job loss in manufacturing and tourism-related industries contributed to the higher rate.



Average weekly wages were approximately 28 percent lower in the region than statewide, partly due to a higher concentration of jobs in the lower-paying leisure and hospitality and retail trade industries.

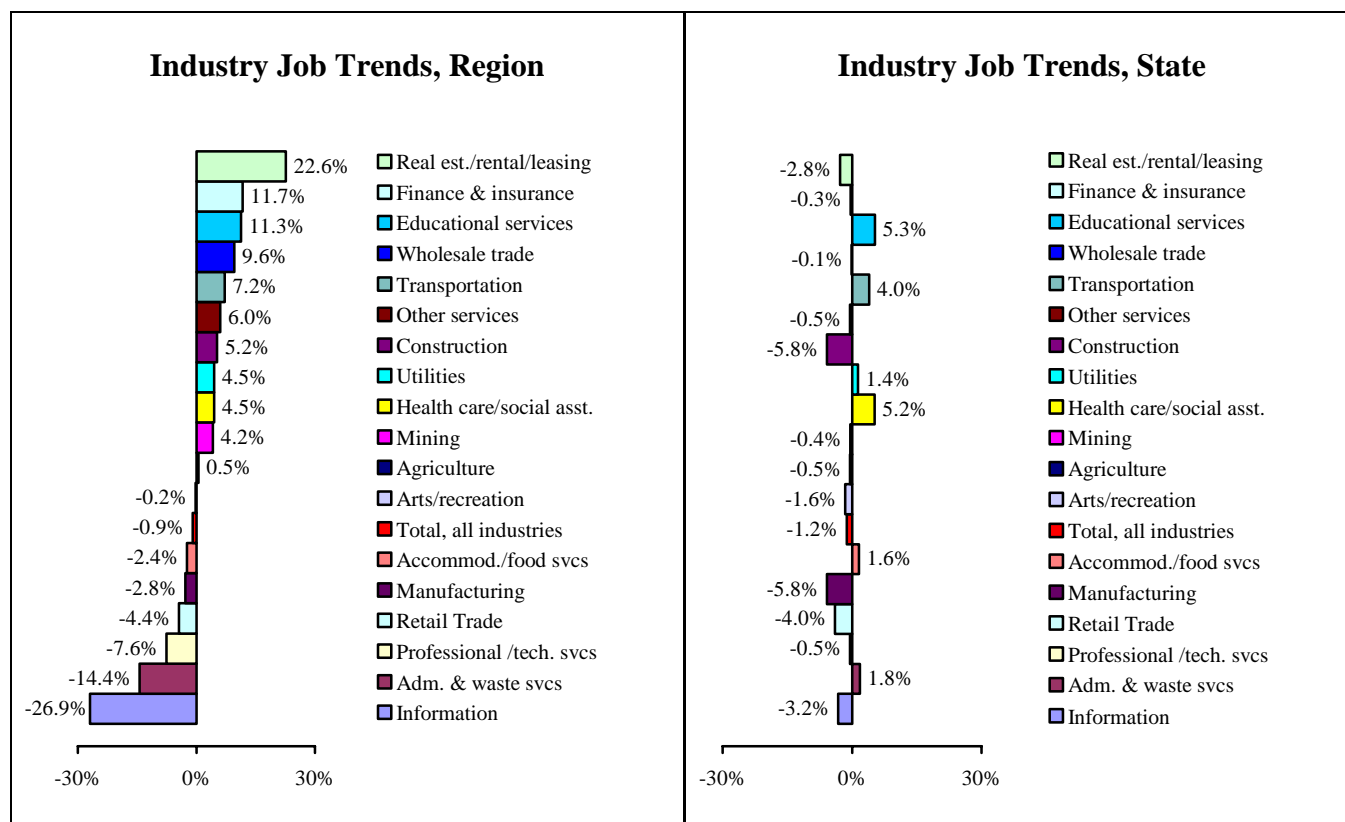


According to forecasts, regional job growth will be concentrated in the professional and business service, retail trade, leisure and hospitality, and educational and health service sectors.

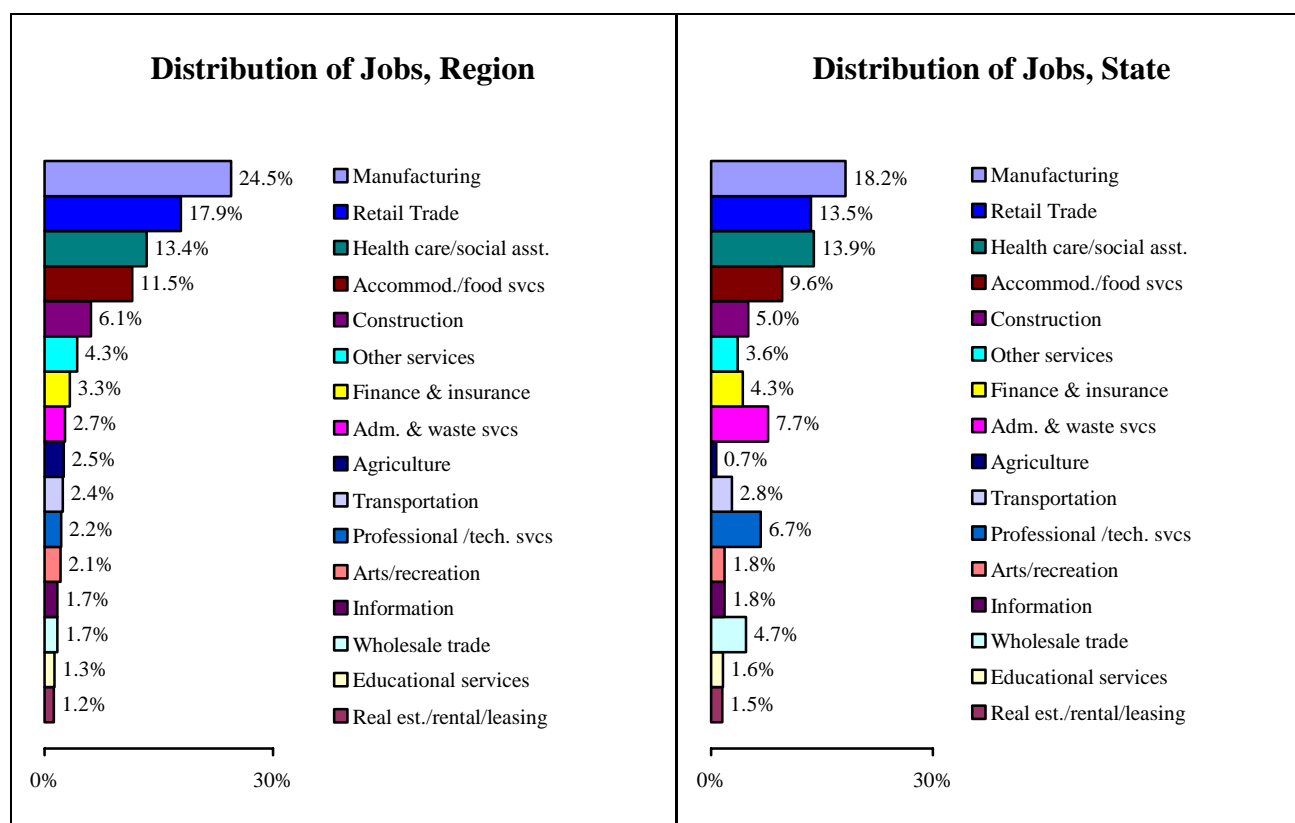


Residents leaving the area offset the region's natural population increase (births exceeding deaths), resulting in minimal change in total population during the period.

INDUSTRY JOB TRENDS (2004 –2006)



- Between 2004 and 2006, the total number of private sector payroll jobs in the region fell by 0.9 percent, or 275 jobs. During the same period, statewide job loss totaled 42,700, a decline of 1.2 percent.
- About half of the region's twenty major private industry sectors added jobs during the two-year period. At the statewide level, only six of the twenty major industries gained employment.
- The top five regional major industries posting the most new jobs included *Health Care and Social Assistance* (+185 jobs), *Finance and Insurance* (+113), *Construction* (+98), *Other Services* (+78), and *Real Estate and Rental and Leasing Services* (+74). These five industries accounted for approximately 77 percent of the job gains in the region's growth industries. At the state level, only one of the five industries, *Health Care and Social Assistance*, recorded job additions.
- Four major industry sectors represent approximately 85 percent of the job loss in the region's declining industries. Between 2004 and 2006, *Retail Trade* employment fell by nearly 275, *Manufacturing* lost 225 jobs, *Information Services* dropped by 200, and *Administrative Support Services* declined by 150 jobs. With the exception of *Administrative Support Services*, similar trends occurred at the statewide level.

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)

- Two-thirds of the region's 32,300 private-sector industry jobs were concentrated in four industries: *Manufacturing* (24.5 percent), *Retail Trade* (17.9 percent), *Health Care and Social Assistance* (13.4 percent), and *Accommodation and Food Service* (11.5 percent).
- The region's industrial mix is representative of an economy that is somewhat reliant on tourism. Two major industries directly associated with tourism, *Retail Trade* and *Accommodation & Food Services*, accounted for 30 percent of regional private sector jobs; the statewide share is 23 percent.
- Compared to the state, the region has a higher share of jobs concentrated in the *Manufacturing* sector. Several industries are well represented at the local level, such as *Food* (2,102 jobs), *Fabricated Metal Products* (1,200 jobs), *Transportation Equipment* (1,189 jobs), and *Plastics and Rubber Products Manufacturing* (991 jobs).
- Although the region has an advanced concentration of better-paying *Manufacturing* jobs, its average weekly wage still lags behind statewide averages. *Manufacturing* jobs in the region pay an average of \$801 per week compared with \$1,075 statewide. This, coupled with a greater share of tourism-related positions, contributes to the lower average wage in the region.

PROFILE OF REGIONAL INDUSTRIES**Growth Industries** (Regional industries with faster than average employment growth)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Truck Transportation	487	\$577	20.6%	8.7%
Wood Products Manufacturing	310	\$505	17.7%	3.7%
Membership Associations and Organizations	663	\$280	16.6%	-6.0%
Insurance Carriers and Related Activities	548	\$714	15.0%	4.0%
Educational Services	415	\$418	11.3%	10.3%
Accommodation	539	\$201	10.6%	3.7%
Building Material and Garden Supply Stores	711	\$431	10.2%	0.0%
Ambulatory Health Care Services	1,400	\$792	10.2%	3.9%
Utilities	277	\$1,194	4.5%	3.4%
General Merchandise Stores	1,938	\$347	4.4%	15.3%
Credit Intermediation and Related Activities	470	\$552	4.1%	2.7%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Administrative and Support Services	741	\$415	-17.4%	-2.3%
Computer and Electronic Products Manufacturing	173	\$551	-17.1%	-11.6%
Gasoline Stations	589	\$268	-13.9%	0.1%
Plastics and Rubber Products Manufacturing	991	\$1,057	-13.9%	-5.4%
Food and Beverage Stores	851	\$267	-10.6%	3.6%
Machinery Manufacturing	359	\$799	-10.5%	1.1%
Nonmetallic Mineral Products Manufacturing	358	\$832	-9.4%	9.5%
Professional and Technical Services	702	\$596	-7.6%	8.6%
Motor Vehicle and Parts Dealers	638	\$560	-5.1%	2.6%
Food Services and Drinking Places	3,177	\$169	-4.3%	1.4%

Core Industries (Region has a higher share of jobs in this industry than nationally)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Leather and Allied Products Manufacturing	P	P	P	P
Food Manufacturing	2,102	\$909	3.6%	1.2%
Plastics and Rubber Products Manufacturing	991	\$1,057	-13.9%	-5.4%
Fabricated Metal Products Manufacturing	1,200	\$752	-0.4%	0.7%
Nonmetallic Mineral Products Manufacturing	358	\$832	-9.4%	9.5%
Crop Production	393	\$331	2.9%	9.7%
Gasoline Stations	589	\$268	-13.9%	0.1%
General Merchandise Stores	1,938	\$347	4.4%	15.3%
Transportation Equipment Manufacturing	1,189	\$701	-1.2%	2.5%
Building Material and Garden Supply Stores	711	\$431	10.2%	0.0%
Utilities	277	\$1,194	4.5%	3.4%
Furniture and Related Products Manufacturing	265	\$677	-3.5%	7.7%

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Developing Industries (Region's share of jobs advancing faster than national average)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Food Manufacturing	2,102	\$909	3.6%	1.2%
Animal Production	241	\$422	29.3%	5.4%
Wood Products Manufacturing	310	\$505	17.7%	3.7%
Rental and Leasing Services	195	\$418	25.6%	-14.4%
Truck Transportation	487	\$577	20.6%	8.7%
Insurance Carriers and Related Activities	548	\$714	15.0%	4.0%
Accommodation	539	\$201	10.6%	3.7%
Ambulatory Health Care Services	1,400	\$792	10.2%	3.9%
Nursing and Residential Care Facilities	1,015	\$437	1.3%	5.0%
Credit Intermediation and Related Activities	470	\$552	4.1%	2.7%

Competitive-Advantage Industries (Regional industries with a favorable combination of wage, employment change, and competitive employment performance vs. national trends)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Food Manufacturing	2,102	\$909	3.6%	1.2%
Ambulatory Health Care Services	1,400	\$792	10.2%	3.9%
Insurance Carriers and Related Activities	548	\$714	15.0%	4.0%
Truck Transportation	487	\$577	20.6%	8.7%
Hospitals	1,458	\$744	3.3%	15.2%
Building Material and Garden Supply Stores	711	\$431	10.2%	0.0%
Leather and Allied Products Manufacturing	P	P	P	P
Transportation Equipment Manufacturing	1,189	\$701	-1.2%	2.5%
Fabricated Metal Products Manufacturing	1,200	\$752	-0.4%	0.7%
Nursing and Residential Care Facilities	1,015	\$437	1.3%	5.0%
Specialty Trade Contractors	889	\$624	-1.4%	30.8%
Construction of Buildings	461	\$485	1.8%	1.3%

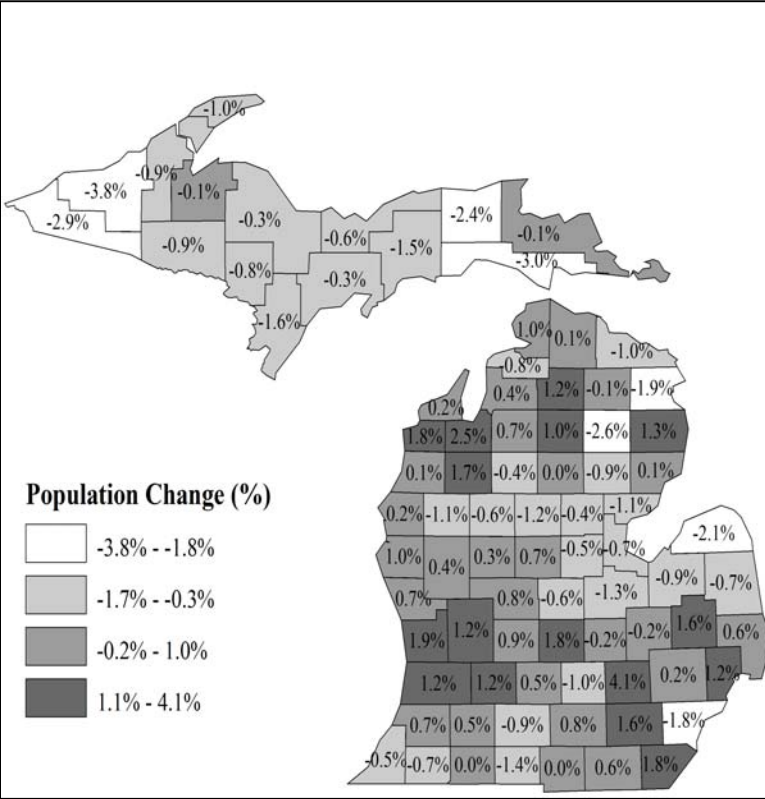
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- The retail trade sector is represented in West Central Michigan's growth and declining industries. *General Merchandise Stores* and *Building Material and Garden Supply Stores* have each added jobs over the period, while employment at *Food and Beverage Stores* and *Gasoline Stations* has fallen. Of particular note is the fact that the average wage for workers in the two growing industries is comparatively higher than the wages paid in the declining retail sectors. The combination of discount super-store expansion and the associated job decline at local grocery and convenience stores is a trend recently observed in regional markets.
- One out of every three jobs in the region is provided by its core industries. Over half of the core industries, those in the manufacturing and utilities sectors, provide an above-average weekly wage, while the remaining core industries (agriculture and retail trade) pay a substantially lower-than-average wage.
- Since the *Manufacturing Industry* provides nearly 25 percent of all private sector employment in the region, it is not surprising that two-thirds of West Central Michigan's core industry jobs are within the manufacturing sector. *Leather, Food, Plastics & Rubber, Fabricated Metal, Nonmetallic Mineral, Transportation Equipment, and Furniture Manufacturing* each contribute a higher share of local jobs than nationally, which adds to the economic base and income of the region.

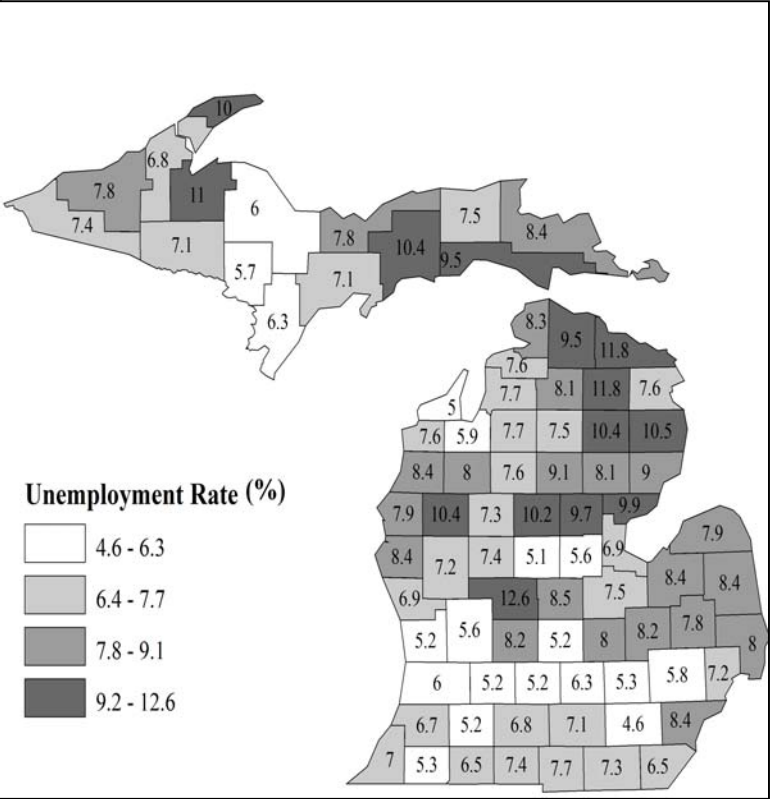
- The region's list of top ten developing industries indicates a well-diversified mix of industries. Included in the inventory are representatives of seven major industry sectors: *Agriculture, Manufacturing, Real Estate/Rental/Leasing, Transportation, Finance and Insurance, Accommodation/Food Services, and Health Care.*
- The goods-producing and service-producing sectors are equally represented in the list of twelve competitive-advantage industries that represents nearly 40 percent of the region's private sector employment.
- The *Health Care Industry*, which accounts for over 13 percent of the five-county area's private employment, has shown favorable growth trends during the period. *Ambulatory Health Care Services, Nursing and Residential Care Facilities, and Hospitals*, comprising one-third of West Central Michigan's competitive-advantage employment, have added a total of 200 new jobs since 2004. Increased health awareness, advanced technology and an aging population indicate a continued demand for health service providers.
- *Food Manufacturing* also profits from a competitive advantage. Many local agricultural product growers supply the region's food processors. The region's corn growers will also reap the benefits of a soon-to-be constructed ethanol plant in neighboring Missaukee County. The *Truck Transportation Industry* benefits from a competitive advantage because of the relatively high concentration of manufacturing in the region.

APPENDIX I: MAPPING ECONOMIC TRENDS

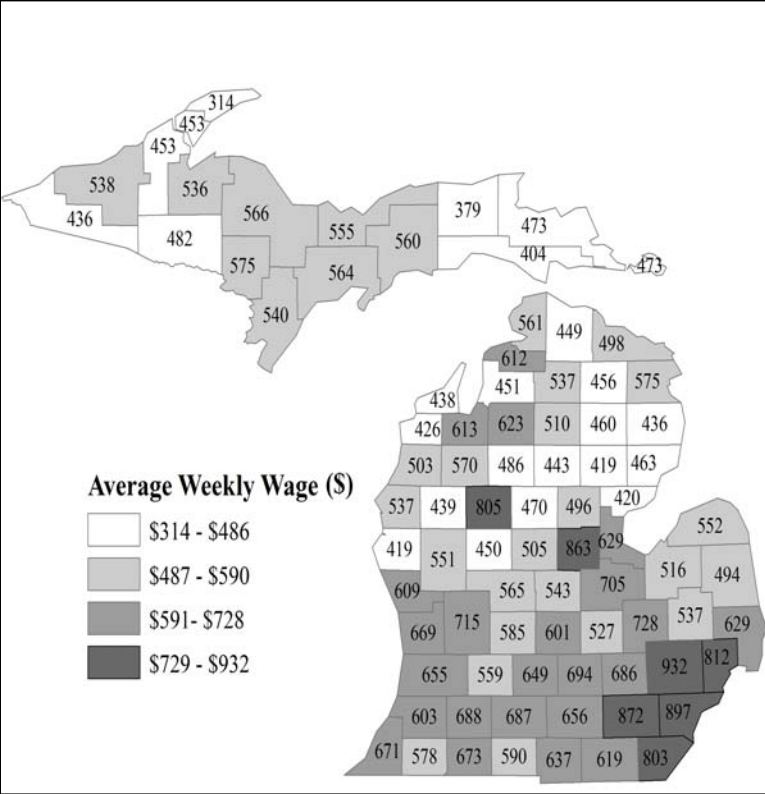
Map 1: Change in Population, 2004-2006



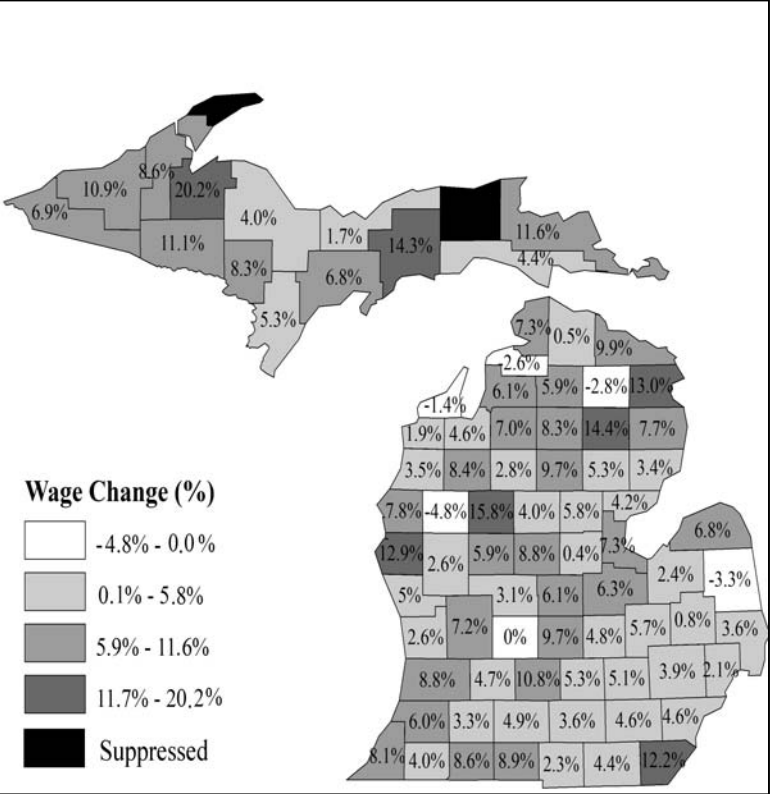
Map 2: Unemployment Rate, Average 2006



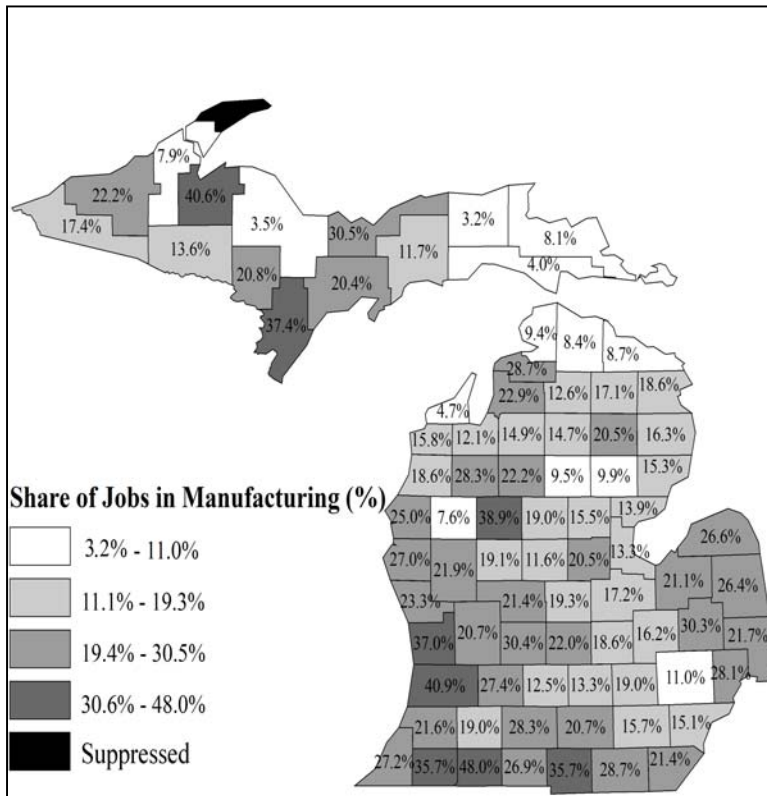
Map 3: Average Weekly Wage, 2006



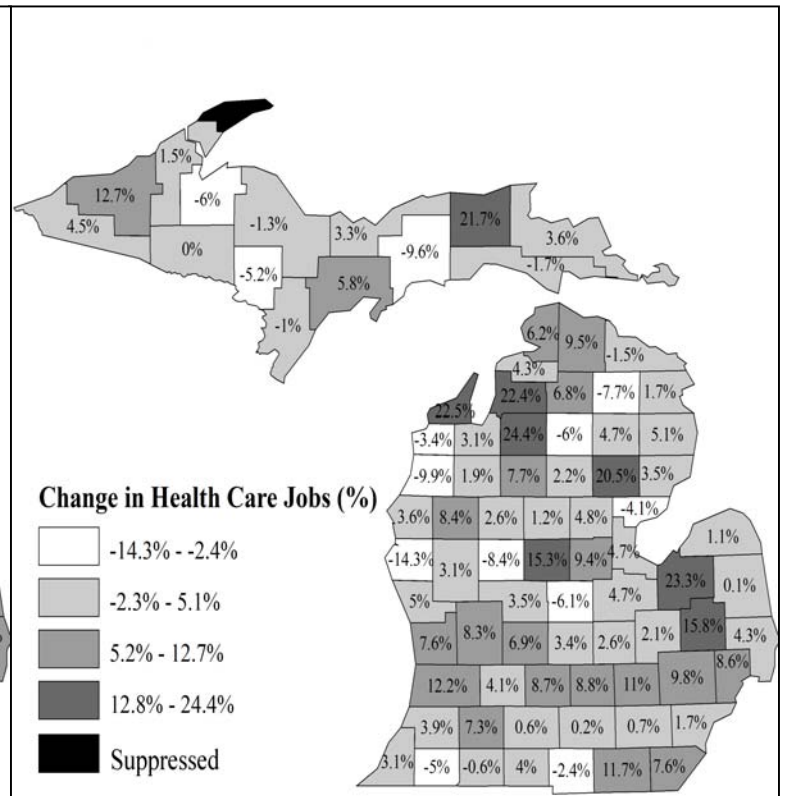
Map 4: Change in Avg. Weekly Wage, 2004-2006



Map 5: Percentage of Total Private Jobs in the Manufacturing Sector, 2006



Map 6: Change in Private Health Care & Social Assistance Sector Jobs, 2004 to 2006



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